

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6123

BILL NUMBER: HB 1028

NOTE PREPARED: Jan 25, 2005

BILL AMENDED:

SUBJECT: Attorney's Fees in Medicaid Lien Collection Cases.

FIRST AUTHOR: Rep. Ulmer

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill increases the amount of attorney's fees required to be paid by the Office of Medicaid Policy and Planning in Medicaid lien collection cases.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This bill increases the amount required to be paid for attorneys' fees for subrogation lien recoveries. Increasing the attorneys' fees would reduce the amount of the recovery available to the state Medicaid Program and the federal government. The impact on the state General Fund for CY 2005 is estimated to range from \$230,000 to as high as \$500,000, depending on the growth rate of recoveries.

Background Information: The Office of Medicaid Policy and Planning (OMPP) reports that this statutory change applies to the fees paid for attorneys in personal injury lawsuits and settlements involving Medicaid recipients. It does not apply to estate recovery or liens against real property. OMPP reported actual recovery amounts, after payment of attorney fees, of \$2.1 M in CY 2003 and \$2.2 M in the first eight months of CY 2004. Extrapolating CY 2004 recoveries to 12 months and comparing to CY 2003 results in a growth rate of over 50%.

The bill provides that attorneys' fees due on recoveries made without initiating legal proceedings would be 25%, rather than 7.5% as under current statute. Attorney fees for recoveries made after initiating legal proceedings would be 33 1/3%, rather than the current 10%. The additional attorney expense will reduce the total amount of recoveries available to Medicaid. The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures and any subsequent recovery of expenditures

is approximately 38%.

If very little growth occurs for CY 2005, the additional attorney fees are estimated to be \$230,000 to \$320,000. If recoveries grow at the same rate as occurred between CY 2003 and 2004, the reduced revenues to the state General Fund could be as high as \$500,000.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

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